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DoD To Yield Nearly $1 Billion In Wage-Price Freeze

Military and civilian personnel of the Department of Defense, affected by President Richard Nixon's Aug. 15 Executive Order providing for the stabilization of prices, rents, wages and salaries, will, according to Jerry Friedheim, Principal Deputy Assistant Secretary of Defense (Public Affairs), contribute more to the program than any other single organization, in or outside of the Government. All in all, according to Mr. Friedheim's estimate, DoD personnel will be yielding between $900 million and $1 billion under the program.

Mr. Friedheim discussed the wage-price freeze and Defense policies concerning the wage-price freeze with Pentagon newsmen Aug. 20, the day following a formal statement by Deputy Defense Secretary David Packard.

Mr. Friedheim told the newsmen that the Defense Department was in the process of implementing guidelines established by the Government's Cost of Living Council.

Mr. Friedheim remarked on longevity increases for military personnel, payment for which would be, he stated, deferred during the 90-day wage-price freeze, and, following that, would not be made retroactive.

He said there were several important exceptions: prisoners of war and servicemen missing in action (PW/MIAs) would be granted longevity increases, as well as enlisted men attaining the first-step pay increase after four months in the Service.

He also noted that persons who earned a longevity step during the freeze and then retired would receive retirement pay calculated on the higher amount. The

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COMMANDERS DIGEST

DEPARTMENT OF DEFENSE • WASHINGTON, D.C.

Vol. 10, No. 17 **September 2, 1971**

Top Defense Officials Express Views

Major Acquisition Policies Stressed At Symposium

Deputy Secretary of Defense David Packard delivered the keynote address Aug. 11 to nearly 600 representatives from industry sparking a two-day symposium co-sponsored by the Department of Defense and the National Security Industrial Association. The symposium comprised a series of extensive briefings on the various facets of the recently-issued DoD Directive 5000.1, which establishes policy for major defense system acquisition throughout the Defense Department.

Other Defense Department speakers at the two-day affair included Robert C. Moot, Assistant Secretary of Defense (Comptroller); Dr. John S. Foster Jr., Director of Defense Research and Engineering; Barry J. Shillito, Assistant Secretary of Defense (Installations and Logistics); Gardiner L. Tucker, Assistant Secretary of Defense (Systems Analysis); Army General Henry A. Miley, Commanding General, U.S. Army Materiel Command; Navy Admiral Jackson D. Arnold, Chief of Naval Material; and Air Force General George S. Brown, Commander, Air Force Systems Command.

Mr. Packard told his audience, assembled at the Sheraton Park Hotel in Washington, that "These new policies and procedures [established by Directive 5000.1] will enable the Government to obtain more and better equipment for the billions of dollars of the taxpayers' money that are being spent . . . These new policies can result in a stronger, healthier defense-related industry in the future.

MR. PACKARD

MR. MOOT

Continuing Pressures

"There will be continuing pressures on the defense budget over the next few years," he continued, "which will certainly tend to limit the funds we will have available for new defense systems and equipment. These pressures have built up in part because of the growing anti-defense attitude in the country. Large cost over-runs and other evidences of poor management by both the Services and the Industry contribute to this anti-defense attitude and make the job more difficult. There is no way to avoid this criticism except to do a better job in the future."

Mr. Packard said that some of the problems faced by the Department of Defense are characteristic of the times, and added that there is not much that

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can be done about them. He specifically cited inflation and reduced business base in industry, and noted that "we have to recognize and try to manage around [them], but I believe the best we can do is minimize their effects—I don't believe they will go away."

Manpower Costs

He also cited recent and continuing military service manpower costs as "another reason why there will be fewer dollars for new weapons systems in the future."

The Deputy Defense Secretary then outlined some of the new DoD policies and procedures, which, he said, "will enable us to do a better job in the future . . . If these policies and procedures are to be effective they must be understood, accepted and implemented by the Services and by the industry. . . .

"The first step for a successful Major Defense System Acquisition," he asserted, "is to make the right decisions in the beginning. To do so is not a simple matter. We must decide whether we will really need the capability this system proposes to provide five or ten years from now. We must decide this question, not on an absolute basis but on a relative basis. If we are halfway through the program and decide we don't need this as much as something else, under tight funding limitations, the program we have started may have to be dropped. This is a wasteful procedure and it has happened all too often.

"Or," he added, "we may have a real requirement but it can not be achieved because we have over-estimated the state of the technology. Sometimes a program is stopped for this reason. More often the development is continued and the cost growth continues too."

Mr. Packard then described what experimental prototyping will be. "The program that we are now considering for our experimental prototyping," he said, "we developed based upon criteria that are good indications of the types of things that we would consider for such projects." These projects should have one or more of the following characteristics:

—Support or satisfy an anticipated *future* military need;

—Significantly reduce uncertainties (technological, operational performance, costs, scheduling) in possible *future* developments;

—Provide *novel* and feasible operational/technological options;

—Offer the possibility of appreciably lower cost alternatives or techniques than those currently available or programmed;

—Have a *reasonable* (not "assured") chance of success;

—Have relatively low cost with respect to potential total program cost.

Provides Incentive

The Deputy Secretary explained what experimental prototyping would do, both for industry and for Defense. "For industry," he said, ". . . this program will provide another incentive to develop systems and technology which might make a major contribution to our defense posture. This type of development should permit us to look at substantially more pieces of hardware and different types of hardware. It will give us a better understanding of the capabilities of technology and provide a better basis for making decisions on our major programs by providing a means of exploring additional technological options. Finally, it will better permit us to retain and improve the competence of your design and engineering teams.

"This approach," he said, "should help us decide what we really want before we commit large sums to full-scale development and production.

"As I reviewed program after program beginning in the spring of 1969," he went on, "almost all were in trouble from a common fault—production had been started before engineering development was finished. . . .

"Several important policies and procedures have been established to help avoid the disastrous results of concurrency:

- "We will not use total package procurement contracts on major programs;
- "In general, major development contracts will be cost-incentive type and will require close working relationships between Service managers and Industry managers.
- "Fixed-price production contracts will be negotiated on major programs after the development has proceeded far enough that we know what we are to produce, and we know it will work the way we want it to work.

". . . This is a major change in policy," he emphasized. "I am confident we have the support of the Services. I am sure we will have the support of the Congress to go in this direction—but I hasten to add we will keep that support not because I say this is the right way to go but because you prove it is right and make it work.

Established Procedures

"Again, we have established procedures to assure that programs are in fact set up the way they should be—that appropriate milestones of performance are established and are met before the program moves ahead.

"What we are proposing is very simple," he told the symposium. "These major acquisition programs will turn out better only if they are managed better. There is no better way to improve the management of a program than to get a better manager and give him the responsibility and authority to manage. We are making some progress in this direction. All of the Services have accepted the need to select better people for program management.

"There is, then," he concluded, "some hope that we can, working together—the Services, the Office of the Secretary of Defense, and the Industry—do this job of 'Major Defense Systems Acquisition' the way this country should expect us to do it. I hope we will gain a better understanding of how to do the job the way it should be done. I wish to emphasize that better management of these important programs is a responsibility above the parochial interests of the Services and

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COMMANDERS DIGEST

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Adm. McCain Accepts Award For PWs

VFW Awards Distinguished Service Medal To Secretary Laird

Secretary of Defense Melvin R. Laird has been awarded the Dwight David Eisenhower Distinguished Service Medal by the Veterans of Foreign Wars.

Accepting the honor—awarded only once before to President Richard Nixon—Mr. Laird said he accepted it as recognition of the devoted service of those who serve in the Department of Defense.

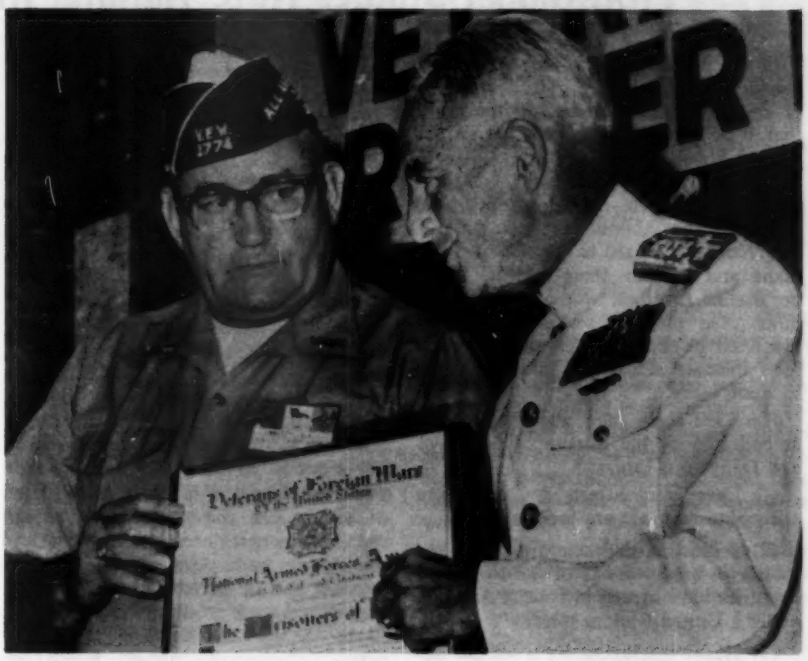
Mr. Laird told the VFW at its Dallas, Tex., convention Aug. 16 that the late President Eisenhower brought the country eight years of peace and that President Nixon is following such a foreign policy.

"President Nixon bases his foreign policy on three pillars of partnership, strength and willingness to negotiate," said the Secretary. "I think it clear that these sum up the principles which guided President Eisenhower."

Spelling out the philosophy of the "three pillars," Mr. Laird said, "Nations which in the past have been junior partners in our alliance are becoming full-fledged partners. It does not imply that our goal of deterring aggression has been abandoned or modified or has become less important now than it was when we stood almost alone as the defender of many parts of the world.

"In our relations with adversary nations," he said, "we are moving more and more from confrontation to negotiation. In the long view of history, this transition in the dominant method of dealing with conflict may well be the most notable change in the field of international relations in our lifetime. It does not, however, imply a change in our foreign policy goals."

The Defense Secretary said: "There is promise of agreement between our country and the Soviet Union to establish limits on both offensive and defensive strategic weapons. We continue to seek an agreement that will increase the security of Berlin. We are preparing, along with our NATO partners, to discuss mutual and balanced reduction of military forces in Europe. We have not given up the effort to end the Vietnam war by agreement in Paris, as the designation of U.S. Ambassador [William J.] Porter as the new chief negotiator for those talks indicates. And, our President will go to Peking, consistent with his long-standing objective of seeking peace and security in Asia."



PRISONERS REMEMBERED. Admiral John S. McCain Jr., USN, Commander-in-Chief, Pacific Command, right, accepts the Veterans of Foreign Wars National Armed Forces Gold Medal and Citation Award on behalf of American Prisoners of War. Making the presentation Aug. 18 at the VFW annual convention in Dallas, Tex., is Herbert R. Rainwater, Commander-in-Chief, Veterans of Foreign Wars. (Wide World Photos)

Secretary Laird stressed, however, that President Nixon will not "repeat the mistakes that have sometimes flawed our negotiations in the past." Mr. Laird added: "He will not rush into negotiation without adequate preparation. He will not be deluded by words that paper over disagreement on substance. He will not make premature or unilateral concessions. He will not conclude agreements that weaken our security. He will not bargain away the rights of any other people. He will not abandon any friend."

The Defense Secretary strongly endorsed negotiating from strength, saying, "A strong nation is not in the position of a suppliant at the bargaining table.

"When the subject of negotiation is limitation of military power," he asserted, "we must recognize that it is foolhardy, in advance of agreement, to reduce needed strength or abandon plans for maintaining it. If we disarm unilaterally, we weaken our bargaining power. If we disarm unilaterally, an adversary nation may well conclude that negotiating with us on the subject of arms limitation is unnecessary."

Mr. Laird concluded, "There are some in public life who constantly attack the military profession and seek ever more drastic reductions in our forces and their capabilities, and I worry about them. But I worry more about those who appear to be indifferent and unconcerned about the maintenance of the Nation's strength."

Also, at the convention Aug. 18, Admiral John S. McCain Jr., USN, Commander-in-Chief, Pacific Command, accepted the VFW National Armed Forces Citation and Gold Medal Award on behalf of American Prisoners of War.

FACTS ABOUT MARIJUANA

Professional Studies Note Harmful Marijuana Effects

In the past few years, the smoking of marijuana and the use of stronger forms of cannabis have increased to the point that it is now a major problem in the United States. The reasons for this are complex and solutions equally complex. Yet, some aspects of the problem are clear and they should be made part of the record. In regard to the use of marijuana and hashish, there appears to be no reason for their use in our society other than pleasure seeking. Presently identified physical and psychological effects indicate actual and potential harm to some users.

Here are some facts about marijuana as collected by the Bureau of Narcotics and Dangerous Drugs:

(1) Usage and arrests for marijuana possession and sale are increasing.

(2) Possession and sale are prohibited by law in most nations of the world; 70 countries have agreed to control the drug under a United Nations treaty.

(3) Heavy marijuana use is seldom isolated from the abuse of other drugs such as LSD, amphetamines, and barbiturates.

(4) Scientific studies have revealed tetrahydrocannabinols (THC's) as the psychoactive ingredient in marijuana.

(5) THC's are powerful, mind-altering drugs like LSD.

(6) Frequent heavy use of more concentrated forms of cannabis such as hashish has been associated with physical, mental, and social deterioration.

Marijuana's Effects

Marijuana and all the known products extracted from the plant material have mixed depressant, sedative, and hallucinogenic properties. Marijuana acts principally on the brain. In low doses, it can produce hallucinations, and in higher doses, it can result in bizarre behavior and a psychotic state.

The effects of marijuana on an individual are dependent upon numerous physical and psychological factors. One such factor is the dosage of the drug, measured by the potency of the preparation. Other factors involved in variation of effects are the expectations of the user, prior experience with drugs, and the setting, both physical and social. It appears that a person must "learn" to experience some of the effects of marijuana. On the other hand, it may be that neuro-physiological changes which accompany sustained use may influence the effects. Both factors may be true. Because of the great inter- and intra-individual variation in responses to marijuana, there is much confusion and disagreement about effects.

AFPS

Some frequently reported short-lasting physical effects of marijuana (low dosage) are:

(1) Dilation of the blood vessels in the eye which causes a "bloodshot" appearance, increase in heart rate, irritation of the throat, and dryness of the mouth.

(2) Appetite for food is often increased, and some marijuana users become drowsy.

(3) Although these changes may occur, all of them are not necessarily found in every person using the drug.

Marijuana has sometimes been called an aphrodisiac, however, there is no evidence that it stimulates sexual desire or potency. Its use, like the use of alcohol, may reduce inhibitions.

Some commonly experienced short-lasting psychological and social responses to marijuana intoxication (low dosage) are: euphoria (a high or heightened sense of well-being), a feeling of detachment and relaxation, a feeling that sensations are more intense, changes in the perception of distance and time, the tendency to be easily distracted, disruption in thought and speech, increased suggestibility, increase sense of sociability, and hilarity.

These are the experiences of a mild marijuana "high."

The effects of very high doses of THC resemble those of the more potent hallucinogens such as LSD, including psychotic behavor. In a recent THC experiment, most subjects on very high doses experienced marked distortion in visual and auditory perception, de-personalization (a feeling of being separated from one's body), a feeling of unreality, and sedation. High doses have, in some cases, led to temporary auditory and visual hallucinations, panic, or, rarely, acute psychotic episodes. Violent behavior is uncommon.

Long-Term Use

Cannabis preparations such as hashish, which contains high concentrations of THC, have been used for centuries in some Eastern countries. Long-term heavy use of these preparations appears to degrade persons in much the same way that chronic alcoholism does. There is neglect of health and appearance, incapacity for work, personality change, apathy, and loss of normal social or family life. Although some of these effects have been noted in human subjects in controlled experiments with THC by scientists in the U.S., cause and effect relationships have not yet been demonstrated. However, until a few years ago, it was not known that long-term tobacco smoking can cause or contribute to serious diseases of the lungs and heart.

Experimental Studies

Although research on the effects of marijuana has been done in the past, the recent increase in the use of the drug has stimulated an increase in experimental

studies, especially since the identification and synthesis of THC, the development of analytic techniques, and the availability of standard cannabis preparation have provided researchers with a basic tool, the ability to quantify doses.

A recent study by F. T. Melges, et al., using humans to determine the effects of orally administered THC, indicated that the THC impaired performance on arithmetical tasks. The impairment increased with increases in dosage and persisted for as long as 5½ hours after administration of the highest doses. The study showed that long-term memory operations were not significantly impaired, but that short-term memory was impaired by the THC.

Dr. R. C. Pillard reports three types of acute adverse psychologic reactions: reactive fright and panic; toxic psychosis marked by symptoms of thought disorganizations, paranoia, de-personalization, and hallucinations; and "flashback," a condition in which the subject suddenly feels the drug effect even though he has not used the drug for days or weeks. John A. Talbott and J. W. Tague, who studied 12 cases of acute toxic psychosis in soldiers in Vietnam, indicate that it appeared to be a valid clinical syndrome. All 12 cases were first-time users and 11 of the 12 cases were diagnosed by more than one psychiatrist.

Clinical observers are now finding certain adverse effects in patients being treated for psychiatric problems. Dr. Harold Kolansky and Dr. William Moore have reported adverse psychological effects in 38 individuals from age 13 to 24 who smoked marijuana two or more times. Although they had seen many other patients who had used marijuana, this group of 38 was analyzed because they had used no other drugs and did not show a predisposition to serious psychiatric problems. Their study demonstrates "the possibility that moderate-to-heavy use of marijuana in adolescents and young people without predisposition to psychotic illness may lead to ego decompensation ranging from mild ego disturbance to psychosis."

Another clinical observer, Dr. Harvey Powelson, who has treated many students in his position as psychiatrist at the University of California at Berkeley, has found neurologic signs, symptoms, and psychological effects similar to those reported by Dr. Kolansky and Dr. Moore.

The belief that marijuana use almost invariably leads to the use of heroin stems from the observation that most heroin addicts used marijuana prior to the first use of heroin. Until recent years, statisticians did not look first at marijuana smokers as a group to determine how many of them went on to use heroin. Nor did they look for other reasons that might account for the use of both marijuana and heroin.

Marijuana and Heroin Addiction

Recent analyses of new data have gone beyond the assumption that there is a simple, direct-relation between marijuana and heroin use. They lead to three conclusions:

(1) Some marijuana users go on to use heroin, but the incidence varies in defferent kinds of groups. As few as six percent of one group of college students who used marijuana were known to have used opiates. In a group of urban black men in their early thirties, about a fifth of those who had ever used marijuana later turned to heroin.

(2) Other factors appear to be as important as marijuana in predicting eventual heroin use. In the case of the college students, it was a feeling of alienation. In the case of the black men, it was teenage delinquency.

(3) The sequence from marijuana to heroin does not appear to be inevitable. If such a sequence does occur, it may be the result of the person's group life, has contact with drug peddlers, or the particular needs these drugs fill in his life.

Marijuana is clearly involved in use of other illegal drugs. It is prominent in a new pattern called "polydrug use" whereby a person uses a wide range of drugs deliberately to bring about desired moods and motives. Several recent studies show that marijuana use, especially if frequent and in large doses, is closely allied to dependence on other drugs and to polydrug use. The question still remains as to the reason why it is so called. Frequent use of marijuana may facilitate the progression to "hard" drug use—through commitment to the drug-using group, through buying and selling, and through the desire for the effect of mind-altering drugs.

The setting for almost all first use of marijuana is a group. Sometimes young people find that marijuana smoking is the key to acceptance by a group. If the group includes members who are "chipping" heroin, (using it at irregular intervals), there is a chance that new members of the group may be tempted to try it. If the group includes LSD users, this route is also open. The more closely a person is tied to a drug-using group, the more likely he or she will wind up using drugs. The power of groups to encourage or discourage the behavior of its members is enormous.

Conclusion

Marijuana has become the focal point and symbol of a social controversy in which the essential question is, "To what extent may society limit an individual's use, possession, and disposition of substances which can be physically and psychologically harmful and others?" The implications of this question are social, moral, scientific, political, and legal.

A conclusive answer to the consequences of marijuana use is not possible today. Scientific evidence presently available indicates that the drug has both physical and mind-altering effects similar to other hallucinogens and lacks medicinal value. The clouds of controversy surrounding marijuana use will not be quickly dissipated by scientific fact.

An increasing number of research reports on marijuana indicate that, at the very least, the drug is a dangerous substance which, depending on the dosage, can be the cause of varying amounts of temporary loss of physical and mental function. Research now in progress, in the opinion of many experts, is not expected to reverse this finding.

POLICIES STRESSED

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above the selfish interests of the Industry. This would be a big challenge in times of rising budgets and enthusiasm for Defense—it is an even greater challenge for us in this decade of the 1970s."

* * * *

The financial situation of the Department of Defense was discussed at the symposium by Assistant Secretary of Defense (Comptroller) Robert C. Moot, who began his address with an outline of the DoD budget and its problems and prospects.

Reduced Expenditures

"The public, and therefore the Congress," Mr. Moot said, "is in a frame of mind which generally leans toward reduced Defense expenditures. This expectation comes about for several reasons. The war in Southeast Asia is winding down and, therefore, the taxpayers reason that Defense expenditures should also decline. The Nixon Doctrine calls for fewer standing U.S. forces and the public asks, "Shouldn't these fewer forces require fewer resources?" The Strategic Arms Limitation Talks, or SALT, show a ray of optimism and a hope for reduced expenditures for strategic arms. The public and the Congress look for similar economies from the Mutual Balanced Force Reduction and its impact on our NATO commitment. In addition, needless to say, we are expected to improve our management techniques and get better utilization of available funds. . . .

"What [the public is] faced with," he continued, "is a situation which, at first glance, looks like the opposite—an image of an increasing Defense budget. Our budget was $50.8 billion in pre-war 1964, compared to the $77 billion now before Congress, and it was $74.5 billion last year. By subtraction, this shows a $26.2 billion increase since 1964 and a $2.5 billion growth since fiscal 1971. It is understandably difficult to accept the Defense Department's statement that there is no more Defense buying power in the $77 billion than was available eight years earlier for $50.8 billion. This image is not improved by what the public and the Congress apparently see as billion dollar busts in weapon systems acquisitions."

Slide Charts

Mr. Moot augmented his address with several slide charts. Using one such chart, he summarized the Fiscal Year 1972 budget into 10 basic programs, plus anticipated pay raises, which, he said, he had broken out because of their impact. He noted that strategic forces accounted for less than 10 per cent of the total obligational authority, a figure that he said, must be kept in mind when considering the possible impact of any SALT (Strategic Arms Limitation Talks) discussions. "It is also important," he said, "to remember that the SALT deliberations are limited to only a portion of the total program. . . . As a result, it should be clear that the most optimistic results from SALT cannot generate any substantial reduction in our over-all budget and certainly not within this fiscal year."

He then related another point to the impact of the Nixon Doctrine. "It is true that this doctrine envisions smaller standing U.S. forces. However, it also provides for increased support of other nations and more modernized, up-to-date U.S. forces. Rather than major dollar reductions, at least in near term, its more logical impact will be a shift from manpower to force modernization and material support of our allies."

Nixon Doctrine

The Assistant Secretary of Defense asserted that the winding down of the Vietnam war is in keeping with the Nixon Doctrine, but pointed out that "The incremental cost of that conflict is now only about 10 per cent of our expenditure, whereas it generates a great portion of the pressure to reduce our budget."

Mr. Moot then compared resource levels for 1964—the Pre-War level—and the level envisioned in the 1972 budget. He explained that the resource levels "are stratified by the 'Direct Force Programs,' that which we fight with; the 'Support Programs' to support the force structure; 'Capital Acquisition' for the weapons we buy for inventory and the facilities we need; 'R&D,' and 'Retired Pay.'

"Each of these categories goes up," he said, "but they go up disproportionately. Even with all the public discussion surrounding our acquisitions, they account for a relatively minor increase, and the 'Direct Forces' portion actually declines. That portion of 'R&D' which is not related to deployed systems is shown separately and goes up a bit. Military retired pay, over which we have no control, more than triples—from $1.2 billion to $3.8 billion. . . .

Explains Why

"We really get no more defense in 1972 for the $77 billion than we did in 1964 for the $50.8 billion," he stressed, and then explained the reasons why there was an increase of $26.2 billion in the budget.

"Since 1964," he said, "the civilian and military personnel of the Defense Department have regularly received pay raises—seven in total, and an eighth is scheduled in the 1972 budget. The in-

MILITARY STRENGTH FIGURES FOR JULY, 1971 SUMMARIZED BY DEPARTMENT OF DEFENSE

Total numerical strength of the U.S. Armed Forces on July 31, 1971, based on preliminary reports, was 2,683,845. This represents a decrease of 31,176 from the June 30, 1971, combined strength of 2,715,021.

July strength figures for each Service, with month-ago and year-ago figures for comparison, follow:

ACTIVE DUTY MILITARY PERSONNEL

	July 31 1971 Preliminary	June 30 1971	July 31 1970
Army	1,099,050	1,123,810	1,318,922
Navy	618,976	623,542	687,606
Marine Corps	211,342	212,369	255,685
Air Force	754,477	755,300	783,243
TOTAL DOD	2,683,845	2,715,021	3,045,456

The figures represent full-time military personnel comprising both regular and reserves on continuous active duty and officer candidates including cadets at the Military and Air Academies and midshipmen at the Naval Academy.

creased cost in the 1972 budget, as a result of these raises, is $12.0 billion. In addition, retired military personnel have also received seven cost-of-living pay increases since 1964. The 1972 budget includes an increased cost of $2.6 billion as a result of these raises. . . .

"In the civilian work force," Mr. Moot went on, "the exploding use of automatic data processing (ADP), operation analysis, and expanded communications have contributed to a higher grade structure. In short, we have a $2 billion richer mix in work force now than before the war.

"We pay FICA tax, the same as [industrial] companies do. When Congress raises the employer's contribution rate for social security, we pay more. As a result, our 1972 budget allocates $200 million more than 1964 for employer contributions. The expanded reenlistment bonus is another pay cost increase since 1964. The increased benefits and private sector medical program, called 'CHAMPUS,' for military personnel and dependents, is costing us about $300 million additional per year.

Adds $9.2 Billion

"The Department of Commerce price index shows that Federal purchases of goods and services, other than pay, are up 27.7 per cent since 1964. This adds $9.2 billion to our costs for the same volume of goods.

"In the bill now in Conference, Congress plans to increase our Volunteer Program proposals by $800 million, and on June 1, 1971, a new cost-of-living increase for retired military personnel went into effect. It adds $200 million to our cost in 1972, and this was not included in our budget. These two raises account for the $1 billion listed as 'Congressional Pay Action.'

"The pay increases in this list total $17 billion—funds required in 1972 which were not needed in 1964. This is true of the entire $28.8 billion—no greater defense, but much greater cost."

Mr. Moot said there was another significant cost which must be funded in 1972 that was not present in 1964: the residual cost of the war.

"We are adding no new hardware or weapons," he said. "Instead, we are expending ammunition and operating funds. Over-all, we must add $36.6 billion of costs to the 1964 budget before we have a reasonable comparison.

"To provide the 1964 force level at 1972 costs," he said, "would have required $87.4 billion 1972 dollars—the difference is the $36.6 billion we have just itemized. Defense resources in constant buying power values are decreasing, not increasing, and decreasing by more than $10 billion in 1972 budget prices. . . . Forces are fewer in every classification save two. The Marines hold steady at three Divisions and three Air Wings. Helicopters, an outgrowth of counter-insurgency action, do increase considerably. However, over-all, there is a sharp reduction."

Management Tool

The Pentagon's expert in Comptroller affairs then turned to a management tool, the "Selected Acquisition Report (SAR)," used to monitor cost growth within DoD and for status reporting to Congress. "We have selected," he explained, "a total of 48 weapon systems to be monitored in the program. These 48 systems account for some $110 billion out of the estimated total value of $154 billion for all 129 weapon systems currently under acquisition. As you can see, we cover nearly three-quarters of the cost with less than a third of the systems—we believe that we have included the significant ones. Of that $110 billion, some 20 per cent results from cost growth over the initial estimates. That amounts to a lot of money and it, therefore, contributes to our image problem."

Not all cost growth, he said, results from waste or mismanagement. He categorized the causes of cost growth into five major areas — Engineering/Capability Changes, Extended Delivery Schedules, Abnormal Inflation, Erroneous Early Estimates and Other Causes ("a catch-all," he termed it)—and broke the categories down by percentages.

Shore Up Costs

Mr. Moot then turned to current initiatives directed toward improving Defense capabilities.

"We, in DoD," he said, "must shore up our internal cost estimating techniques. It is imperative that we acquire the ability to assess trade-offs between system capability, cost and schedule—based upon reliable cost estimates. Mr. Packard [Deputy Secretary of Defense David Packard] has asked the Joint Logistics Command (JLC) to sponsor a project aimed toward that goal. . . . The [panel] study began in January with these objectives.

"They hope to develop a system which utilizes a common data base and is tied to standard definitions. The effort is oriented to contractor data for life cycle cost estimating purposes, including material acquisitions and logistic support. Additionally, they seek to resolve internal DoD problems concerning data interchange.

"To maximize effectiveness," he explained, "the standard cost estimating system will provide data for multiple functions, including program management, cost analysis, and price analysis—for both Military Departments and OSD users. This should eliminate the costly flow of data often proliferative and duplicative in nature between DoD and industry. Furthermore, it is intended to prohibit each user of information within DoD

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U.S. MILITARY STRENGTH IN THE REPUBLIC OF VIETNAM

	As of 19 August 1971	As of 12 August 1971
Army	173,500	176,000
Navy	10,000	10,200
Marines	500	500
Air Force	36,000	36,100
Coast Guard	100	100
TOTAL:	220,100*	222,900
Free World	63,200	63,200

In addition, approximately 13,000 Navy personnel with 7th Fleet Forces and 150 U.S. Coast Guard personnel are aboard ships operating off the coast of Vietnam.

* This is a decrease of 2,800 over the previous week.

The troop strength as of August, 1971, is the lowest since February, 1966, when the troop strength was 208,000.

POLICIES STRESSED

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from imposing his unique data requirements on contractors.

"The panel's progress has been very satisfactory to date," said Mr. Moot. "They have agreed on standard definitions to be used for contractor cost data elements and on reporting structures to be used as standards against which data will be reported. Additional major milestones are also scheduled to be completed by the middle of this month."

The Assistant Secretary also discussed cost performance reports, required by DoD Instruction 7000.8, through which DoD monitors costs incurred in terms of work accomplished. "The report," he said, "compares actual costs to the time-phased plan which represents the way the work is being performed. This time-phased plan, commonly called 'The Baseline,' is oriented to the contract value—that is, the sum of the contractor's internal management budgets should add up to the contract target cost. It follows, then, that the target cost must be as realistic as possible since it is the basis for the contractor's internal budgeting and for cost performance measurement. One of the prime sources of occasional misunderstanding resulting from this reporting system comes about from our need to assure the accuracy of the data in the report. We expect that these data will come from the contractor's own internal management system—not from a separate add-on system. In order that we can be sure that the contractor's system provides the data we need, we have set up a set of criteria against which to assess or validate his system. We do not specify the system. We do, however, need to validate the contractor's on-going system.

Major Effort

"We have just gone through a major effort," he said, "also by the JLC, to review our practices and procedures in the application of these criteria, formally titled 'The Cost/Schedule Control System Criteria,' or 'C/SCSC.' This effort will culminate in a new, improved implementation manual directed toward uniform application of the criteria by all the Military Services. We confidently expect that this effort will result in great benefit to the Defense industry through eliminating multiple validation effort and through common, reasonable application of the criteria. Most of our contractors have found the criteria useful or helpful. We expect the new approach to produce even wider industry support."

Mr. Moot concluded his symposium address with a progress review in the refinement of the Acquisition Management Systems List (AMSL) down from 1,254 systems in October, 1968, to 129 in the latest edition published in March. He said, optimistically, that DoD expects "to further refine the list down to about 50 systems in the reasonable future."

TOP RECRUITER. Navy Quartermaster First Class Kenneth E. Hedwall, center, receives a Navy Commendation Medal from Admiral Elmo R. Zumwalt Jr., Chief of Naval Operations, during Pentagon ceremonies July 28 at which the seaman was honored as the Navy's first "Outstanding Recruiter of the Year." Mrs. Hedwall, right, proudly witnesses the presentation. Quartermaster Hedwall, assigned to the Navy Recruiting Branch Station in Wheatridge, Colo., was selected from a field of nearly 3,000 Navy recruiters throughout the country. (Official U.S. Navy Photo)

WAGE-PRICE FREEZE

(Continued From Page 1)

same formula would also be used for death gratuities, he added. He explained further, reenlistment bonuses would be paid under criteria that existed prior to Aug. 14. Servicemen will continue to draw whatever longevity pay they received prior to Aug. 14, he said.

Mr. Friedheim explained that a six per cent cost-of-living pay raise, originally slated for Jan. 1, 1972, but now deferred, would have an impact of $800 million on the pay of civilian and military personnel. Deferred longevity payment for military personnel during the 90-day freeze period would amount to a loss to such servicemen of an additional $10 million, and similar in-step, within-grade increases deferred for DoD civil servants during that time would be, likewise, $10 million. Wage Board increases, also postponed for 90 days, were estimated at $75 million, he said. The freeze would have no effect on promotions, it was brought out.

He emphasized that DoD intends to make no increases in pay scales or make any other Military Department action which would not be in full accord with President Nixon's wage-price freeze. He added that DoD would abide by the legal determinations of the Cost of Living Council.

Later in the discussion, Mr. Friedheim said that additional proficiency category pay would not go into effect during the freeze, but persons already receiving "pro" pay, combat pay, sea pay and the like, would continue to receive such pay unless it was withdrawn by Service regulations—not freeze-connected—on an individual basis.

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